California Medical Association

Federal Landscape
Health Care Reform
& Deficit Reduction

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Vice President
Federal Government Relations
STATUS OF HEALTH REFORM

• Historic Legislation
• Complex Law
• Outcome Unknown
• Repeal vs. Incremental Fixes
STATUS OF HEALTH REFORM

• SUPREME COURT DECISION

• NOVEMBER ELECTIONS

• IMPLEMENTATION HAPPENING NOW

• PHYSICIANS SHOULD FOCUS ON CMS AND HEALTH INSURANCE EXCHANGE ;
STATUS OF HEALTH REFORM

• Election Scenario #1:
  R-President; R-Senate; R-House
  Repeal Health Reform
  No Replacement Strategy

- Election Scenario #2:
  President Obama; R-Senate; R-House
  No Repeal of Health Care Reform
  But Incremental Improvements
STATUS OF HEALTH REFORM

- **2013 Issues: Entitlement Spending Cuts**
  - Impact on Health Reform
  - Medicare Reform despite slowed spending
  - Medicaid Reform
- **2013 Sequestration Cuts of $1.5 trillion**
  - $500 m cuts to Defense Department/Military
  - Across the Board Non-Defense Cuts
  - 2% Medicare Cuts
Deficit Reduction Plans

- **Rep Paul Ryan – Republican Plan**
- Reduces deficit $4 T- tax and spending cuts
- Repeals Health Care Reform
- Medicaid Block Grants
- Medicare vouchers to purchase private health plans
Deficit Reduction Plans

• **President Obama Plan**
  • Reduce deficit $4 T-spending cuts and tax increases on wealthy individuals and corps
  • $248 billion in Medicare savings
  • $73 billion in Medicaid savings
  • $3.5 billion in public health savings
Deficit Reduction Plans

President Obama Plan - Continued

- Medicaid-SCHIP Blended Matching Rate
- Medicare IPAB on Steroids
- Cuts to all Other Provider Groups
- Seniors asked to pay more: co-pays, deductibles, premiums and Medi-gap
- IME Cuts – NO GME Cuts
WHAT COULD BE BIGGER THAN HEALTH CARE REFORM?

Congressional Super Committee

Joint Select Committee on Deficit Reduction
WHAT COULD BE BIGGER THAN HEALTH CARE REFORM?
The Politics of Deficit Reduction

- The Economy and the Deficit
  Will drive Medicare and Medicaid

- The State of Medicare and Medicaid
  will drive Health Care Reform Decisions
SUPER COMMITTEE

• CONGRESSIONAL SUPER COMMITTEE charged with making $1.2-1.5 TRILLION IN SPENDING CUTS AND REVENUE INCREASES

• Super Committee and Congress Failed Miserably

• Sequestration Starts in 2013
  Automatic Across the Board Cuts Triggered
Sequestration Summary

- 50% of savings from Defense spending cuts
- 50% savings from remaining programs
- MEDICARE CUTS CAPPED AT 2%
- Other Non-Defense Program Cuts Higher than Medicare
- EXEMPT PROGRAMS: Social Security, Medicaid, VA, retirement funds and other programs
What’s Driving Congress?

- Troubled Economy
- Deficit
- Government Spending
- Escalating health care costs
- Two biggest entitlement programs: Medicare and Medicaid
- The Cost of Not Covering the Uninsured
Figure 5.2.

Other Federal Spending, by Category, 1971 to 2010

(Percentage of gross domestic product)

Source: Congressional Budget Office.

Note: Other federal spending is all spending other than for the major mandatory health care programs, Social Security, and interest payments on debt held by the public.
Figure 3-1.
Outlays, by Category

(Percentage of gross domestic product)

Source: Congressional Budget Office.
What’s Driving Physicians? Maintaining ACCESS TO CARE

• Traditional Medicare FFS Program
  Sustainable Growth Rate (SGR) Formula
  2011 Cut: 27.4%
  Sequestration and IPAB Cuts

• Medicare Advantage HMO Program
  Payment rates transitioning down to FFS
  Quality Bonus/Risk Adjustment Methods
  Sequestration Cuts
SGR vs. MEI

Part A versus Part B Updates
1995 as the base year

Cumulative MEI
Cumulative Part B Updates
Hospital Payment Updates
MEDICARE and MEDICAID’S INFLUENCE

• The Medicare Fee Schedule drives TriCare for Military Families
  All Private Sector Rates Tied to Medicare
  Could Influence the Health Exchange Rates

- Medi-Cal could enroll almost half of CA’s uninsured. Rates are 50% below Medicare.
- These rates will determine whether there is access to doctors under health care reform.
Medicare SGR Repeal
CMA/AMA Plan

- AMA/CMA and Organized Medicine Urging REPEAL OF SGR ($300 billion)
- 3-5 years of Stability + Inflation Updates
- Test Innovative/Alternative Models
- Implement the Best Models
- New Proposal to Use Unspent Military Funds from the early troop withdrawals in Iraq and Afghanistan ($800 billion)
CMA Message to Congress

• Repealing the SGR,

IMPROVES ACCESS TO CARE
AND
MAKES ECONOMIC SENSE
MEDICARE SGR REPEAL IMPROVES ACCESS TO CARE

• CMA-County Medical Society Survey:
• If substantial Medicare cuts occur, physicians said the following:
  • 72% will reduce or stop taking new Medicare patients
  • 55% will reduce the number of existing Medicare patients or quit Medicare altogether
• Real physician shortages in California Demand will soon outpace the supply by 20%
MEDICARE SGR REPEAL Makes Economic Sense

• 5 years ago it cost $48 billion to repeal SGR

• In 2011 it costs $300 billion to repeal SGR

• In 2016 it will cost nearly $600 billion
SGR Reform: Delay Means Higher Cost

Estimated CBO Score (billions)

- **2011**: $298
- **2012**: $320
- **2013**: $370
- **2014**: $420
- **2015**: $460
- **2016**: $500

- **Cost of temporary fixes**
- **Cost of permanent reform**
MEDICARE SGR REPEAL MAKES ECONOMIC SENSE

• Access to Care and Jobs: Lewin Group Report
• The report states, “…strong physician practices not only ensure the health and well being of communities but also critically support local economies and enable jobs, growth and prosperity.”
• If physician practices are forced to close, the entire California economy will suffer.
Medicare SGR Repeal Makes Economic Sense

• **In 2009, California office-based physicians**
• Created a total of $137.9 billion in revenue
• Supported 458,397 jobs
• On average, each physician supported 5.8 jobs
• Contributed $106.3 billion in wages and benefits for employees
• On average, each physician supported $1,355,894 in total wages and benefits
• Supported $7,215.5 million in local and state tax revenues
Medi-Cal Rate Reduction
California Status:

• 10% Physician Rate Cut Proposed by State
• Highest Copayments in Nation
• Limits patients to 7 office visits/year
• CA rates rank 47th; 50% below Medicare
• 2/3 of CA doctors cannot participate
• Half Medi-Cal patients can’t find a doctor
• CMS approved the 10% cut
• CMA won a court injunction to stop the cuts
Medi-Cal Rate Reduction

• CMA opposing cuts because
• Violates Federal Equal Access laws
• Will Cause Patients Irreparable Harm
• Costs the State and Federal Govt More
• Severely hinders implementation of health care reform: 3 million uninsured to Medi-Cal
Health Care Reform

- The Economy and the Deficit and
- The status of Medicare and Medicaid
- WILL DRIVE THE FUTURE OF
  HEALTH CARE REFORM
- Can we afford the ACA?
- Can we afford not to adopt the ACA?
“That we are in the midst of crisis is now well understood. Our nation is at war . . . And, our health care is too costly.”

-Obama Inaugural Address
CMA Principles for Health Care Reform

Universal Access to Care
Assistance for Low-income Families to Afford Health Insurance
Health Insurance Exchange
Choice, Competition, Insurance Reform
Broad-based Financing
Medicare Delivery Reform
CMA Principles for Health Care Reform

CMA Survey 43% Support/43% Oppose

CMA supported the coverage expansion, insurance industry reforms, affordable premiums, investments in primary care, public health and the physician workforce.

While the ACA provided coverage, it does not ensure access to a physician. Improvements need to be made.
California Congressional Leaders

U.S. House of Representatives
California Leadership – Clean Sweep

Speaker Nancy Pelosi
Chairman Henry Waxman-Energy Commerce
Chairman Pete Stark-Ways & Means
Chairman George Miller- Ed Labor
Leader Xavier Becerra
Health Reform Summary

Coverage
Insurance Industry Reforms
Health Insurance Exchange
Medicare Payment Reform-Quality
Prevention, Wellness, Public Health
Health Care Professional Workforce
Revenue
Health Reform

California’s ~7.4 million Uninsured

~1.4 million undocumented not covered

~3 million to Medi-Cal

~3 million to private coverage in Exchange
Health Reform

Coverage Expansion – 2014

*Individual mandate*
*Individual tax credits 133-400% FPL*

*Medicaid Expansion to 133% FPL*
*Primary Care Rate Inc to Medicare*

*100% federally financed phased to 90% 2020*

No Employer Mandate but Penalties
Small Business Tax Credits
Health Reform

Health Insurance Exchange – 2014

Health Plan Standards & Benefits

Choice of Private Health Plans

Allows Patients to Choose Out-of-Network, Non-Contracted Physicians

Enrollment Initially Limited to Uninsured
Health Reform
Health Insurance Exchange

• CA Public Entity: 5 Member Board
• Active Purchaser Like Massachusetts
• Ind Mandate, Premium Subsidy, Guaranteed Issue, and perhaps Employers Dropping Coverage will expand the Exchange Rapidly
• Enormous market influence
• 4 Plan Levels: Bronze, Silver, Gold & Platinum with different cost-sharing
Exchange Enrollment Estimates
Enrollees’ Health Insurance Coverage by Source

2009
- Employer
- Individual
- Medi-Cal
- Medicare
- Uninsured

2016
- Employer (Non-exchange)
- Exchange
- Medi-Cal
# Federal Benchmark Options

<table>
<thead>
<tr>
<th>Benchmark Plan Option</th>
<th>Choice(s) in California under the Benchmark Option</th>
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<tbody>
<tr>
<td>One of the three largest state employee plans by enrollment</td>
<td>Kaiser HMO</td>
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<tr>
<td></td>
<td>Blue Shield Basic HMO</td>
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<tr>
<td></td>
<td>Anthem Blue Cross PERS Choice PPO</td>
</tr>
<tr>
<td>One of the three largest federal employee health plans by enrollment</td>
<td>Blue Cross Blue Shield Basic</td>
</tr>
<tr>
<td></td>
<td>Blue Cross Blue Shield Standard</td>
</tr>
<tr>
<td></td>
<td>Government Employees Health Association (GEHA)</td>
</tr>
<tr>
<td>Largest HMO plan offered in the state's commercial market by enrollment</td>
<td>Large Group Kaiser Traditional HMO</td>
</tr>
<tr>
<td>One of the three largest small group plans in the state by enrollment*</td>
<td>Small Group Anthem Blue Cross (Solution 2500) PPO</td>
</tr>
<tr>
<td></td>
<td>Small Group Kaiser HMO</td>
</tr>
<tr>
<td></td>
<td>Small Group Blue Shield (Spectrum PPO Plan 1500 Value)</td>
</tr>
</tbody>
</table>

* The small group plans will not likely be confirmed until after March 31, 2012.
Health Reform

• **Health Insurance Exchange: CMA Issues**
  - Inclusion of Safety Net Physicians
  - Risk Adjusted Rates
  - Individual Physician Quality Reporting
  - CO-OP Inclusion
  - Essential Health Benefits Package
  - Competitive Rates to Ensure Access to Care
  - Market Influence
Health Reform

Insurance Industry Reforms 2010/2014

85% Medical Loss Ratio

Adequate Provider Networks

No Bans for Pre-existing Conditions

No Rescinding Coverage

Community Rating with Limits
Health Reform
Allows Coops in the Exchange
Consumer Operated and Oriented Plans

Not run by government or insurers
Not for Profit
Licensed to Sell Insurance In CA
Same Benefits Offered
$6 billion loans for start up costs-repaid 5 yrs
Grants to build reserves-repaid 15 yrs
Physicians can form, lead and operate
Health Reform

• **Medical Liability**
• Pilot programs
• No expansion of California’s successful MICRA law around the country
• MICRA protected for California physicians
Health Reform

• **Early implementation: Insurance Reforms**
• Ban on Pre-Existing Conditions
• Ban on Recission (CMA)
• Parent’s Covering Young Adults
• Medicare expansion 55-64 yr olds
• Medical Loss Ratio 85% (CMA)
Health Reform
Public Health, Prevention and Wellness

Physician Workforce Restoration

Redistributes GME slots
Primary care
State grants; NHSC scholarship and loan repayment $$; health professionals & diversity programs; cultural competency
Health Reform
Important Programs

• Programs to decrease health care disparities
• Programs to promote linguistic and cultural competency by providers
• Programs to encourage a more diverse physician workforce
• Programs to improve access to quality of care
Health Reform

Medicare Reform = Delivery System Reform

What Resonated with Policy-Makers?

- Medicare cost growth unsustainable
- Medicare’s broad influence
- SGR is broken
- Value over volume
- Geographic variation in spending
- Rewarding coordination of care
- Emphasis on primary care
- Quality and accountability
Health Reform

Clinical Effectiveness Research

-Clinical tool for physicians

-Prohibits using info for coverage, benefit, and payment decisions by Medicare
The Influence of Dartmouth
(if the U.S. behaved like San Francisco . . .)
Medicare Spending per Beneficiary, 2005

The map above shows the Medicare spending per beneficiary in different regions of the United States in 2005. The spending is color-coded to indicate different ranges:

- Dark red: $8,600 to $14,360
- Red: $7,800 to $8,600
- Orange: $7,200 to $7,800
- Light orange: $8,600 to $7,200
- Pale orange: $5,280 to $8,600
- Grey: Not Populated
Health Reform

• **CMA MEDICARE VICTORIES**
  - Value Modifier: Medicare rates should be cost and risk-adjusted
  - CA DOCTORS ARE EFFICIENT
  - Medicare Payment Localities should be updated to MSAs
  - CMA prevented $600 million in California physician payment cuts aside from the SGR
Health Reform

Medicare Reforms

**Accountable Care Organizations-ACOs**

*Physician-led; No hospital involvement required*

*Loose affiliation, large medical groups, integrated systems*

*Coordinate care & report on quality*

*Shared savings to ACO for reducing Part A & B expenditures in region: Benchmark*

*Pathway to anti-trust relief*
Health Reform

- ACO Regulations
- Burdensome Requirements
- Governance
- 65 Quality Measures – PQRI/Hospital
- Spending Benchmark Good for California
- Risk/Cost Adjusted; National Growth Rate
- 2 Payment Tracks: 50-65% Shared Savings
- Downside Financial Risk
STATUS OF HEALTH REFORM

- **Physician Payment and Delivery Reform**
- Accountable Care Organizations (ACOs)
- Innovation Center ACO, Bundling, Medical Home
- Value Modifier
- Physician Compare Website
- Hospital Payment changes: Readmits/HAC/DSH
- CO-OPS
- Primary Care & HPSA Surgeon 10% Bonuses
Status of Health Reform

• **New Payment Models in Health Reform**
• SGR Alternatives
• Medical Home
• Partial and Full Capitation
• Shared Savings Payments
• 10% Primary Care & HPSA Surgeon Bonus
• Medi-Cal PCP Increase to Medicare 2 yrs
Status of Health Reform

• **New Payment Models Continued**
• Value Modifier Payment Methodology
  Payment based on quality reporting and individual physician spending above or below the national per capita level.
• Quality Reporting Bonus
• E-Prescribing Bonus
• HIT Adoption Funding
Status of Health Reform

• **New Hospital Payment Changes Impacting Physicians:**
  • Bundling
  • Hospital Readmissions
  • Hospital Acquired Infections
  • Reduced DSH Payments
  • GME Funding
ALTERNATIVE PAYMENT MODELS

• Congress is willing to put more resources into health care if physicians are willing to
  • Collaborate and Coordinate care
  • Engage in Quality Improvement
  • EHR
ALTERNATIVE MODELS
CMA Proposing to CMS

- CMS Innovation Center- $12 Billion
- Physician Organization – Coordinate Care
- Private Contracting
- Medical Home Expansion
- Reducing Clinical Variation
- ACO Transition Model for Solo/Small Groups
- Patient Registries
- Physician Feedback Programs
- Palliative Care Medical Home
- All of these must have quality improvement component
- Medical Groups, Independent Physicians, Medical Societies
Profound Market Changes

• Driven by Private Sector

• Accelerated by Health Care Reform

• Exacerbated by the Economy & the Politics of Deficit Reduction

Influenced by Patient Lifestyle Decisions
Profound Changes

- **Predictions: Physician Consolidation**
- Independent Practice Model in Decline
- Larger Physician Groups are the Future
- Physicians Aligning with Hospitals
- Foundations, ACOs, Medical Homes
- Concierge Direct Practice Physicians
- PHYSICIANS ALIGNING WITH PLANS
Profound Changes

• 6 million newly insured Californians
• New investments in public health and prevention
• Health Insurance Exchange will have enormous influence over health plans and providers
Profound Changes

• CMA will continue to lead the way

• CMA will defend the sanctity of the physician-patient relationship

• CMA will help physicians succeed
  In the Era of Health Care Reform
“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

- Margaret Mead